REMARKS

This application was filed with claims 1-28. No new claims have been added. Claims 15 and 27 have been canceled herein. Therefore, claims 1-14, 16-26, and 28 are pending. Claims 1, 17, and 23 have been amended herein.

Claim Amendments

Claims 1 and 23 have been amended to recite, *inter alia*, the carpet "which is installed at the consumer location." No new matter has been added by these amendments. Support for these amendments can be found throughout the specification and specifically at page 6, lines 24-25 of the application, as filed.

Claim 17 has been amended to recite "installing a carpet at the consumer location" in order to correct antecedent basis for this step. No new matter has been added by this amendment.

Rejections under 35 U.S.C. § 103(a)

The Office Action has maintained the rejection of claims 1-28 as allegedly unpatentable over Bette K. Fishbein, "Carpet Take-Back: ERP American Style," *Environmental Quality Management*, Autumn 2000, pp.25-36 (hereinafter "Fishbein"). Without conceding that Fishbein is prior art to the present application, Applicants respectfully disagree with this rejection.

- **Fishbein does not disclose "selling carpet to a consumer"**

It is the burden of the Office to show that the prior art, when considered as a whole, teaches or suggests each and every element of Applicants' claims. *In re Royka,* 180 U.S.P.Q. 580 (C.C.P.A. 1970) (stating that all claim limitations must be taught or suggested by the prior art). Applicants respectfully assert that this burden has not been met.

The Office Action alleges that Fishbein discloses "[s]elling carpet to a consumer (Page 31, Paragraph 1) (Fishbein discloses that under a capital lease ownership of the carpet is

transferred to the lessee which means a sale of the item has taken place. Fishbein also discloses in the cited section that Interface provides this type of lease.)" *See* Office Action mailed April 30, 2007 at page 3. The relevant paragraph of Fishbein is set forth below:

> The original Evergreen lease program did not succeed and very few leases were signed. The intent was to offer customers an operating lease, under which Interface retained ownership of the carpet. (This differs from a capital lease, under which ownership is transferred to the lessee.) Structuring an operating lease for carpet has presented problems. A major difficulty relates to the residual value of the carpet at the end or the lease term (a requirement or operating leases) and determining how this should be handled under accounting rules. While all problems have not yet been resolved, Interface continues to work on creating an economically viable operating lease for carpet. The company also provides capital leases for carpet through an outside leasing company, Dodd Pacific, and offers a take-back option. Ray Anderson's promotion or leasing as a mechanism to promote producer responsibility still attracts attention, but it has been far easier to introduce in other sectors for products with greater, well-defined residual value.
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> Fishbein, page 31, column 1, lines 6-32.

Careful review of Fishbein reveals that this reference never discloses selling carpet to a consumer. In fact, the second sentence of the cited paragraph states that Interface offered customers an operating lease, not a sale. Leases are well-known, and a legal definition of "lease" can be found in the Uniform Commercial Code:

> "Lease" means a transfer of the right to possession and use of goods for a term in return for consideration, but a sale, including a sale on approval or a sale or return, or retention or creation of a security interest is not a lease. Unless the context clearly indicates otherwise, the term includes a sublease.
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> Uniform Commercial Code § 2A-103 (j).

In contrast, a "sale" is defined as the passing of title from the seller to the buyer for a price. Uniform Commercial Code § 2-106 (1). Thus, this sentence does not disclose selling carpet to a consumer, and thus cannot render obvious the pending claims.

- **Even if Fishbein disclosed "selling carpet to a consumer," it does not disclose that the carpet is installed at the consumer location**

In the parenthetical following the second sentence, Fishbein states that an operating lease "differs from a capital lease, under which ownership is transferred to the lessee." Fishbein then states, in the penultimate sentence, that Interface offers capital leases for carpet through an outside leasing company. Such an arrangement is commonly known as a "finance lease":

> "Finance lease" means a lease with respect to which:
> (i) the lessor does not select, manufacture, or supply the goods;
> (ii) the lessor acquires the goods or the right to possession and use of the goods in connection with the lease; and
> (iii) one of the following occurs: (A) the lessee receives a copy of the contract by which the lessor acquired the goods or the right to possession and use of the goods before signing the lease contract;
> (B) the lessee's approval of the contract by which the lessor acquired the goods or the right to possession and use of the goods is a condition to effectiveness of the lease contract;
> (C) the lessee, before signing the lease contract, receives an accurate and complete statement designating the promises and warranties, and any disclaimers of warranties, limitations or modifications of remedies, or liquidated damages, including those of a third party, such as the manufacturer of the goods, provided to the lessor by the person supplying the goods in connection with or as part of the contract by which the lessor acquired the goods or the right to possession and use of the goods; or
> (D) if the lease is not a consumer lease, the lessor, before the lessee signs the lease contract, informs the lessee in writing (a) of the identity of the person supplying the goods to the lessor, unless the lessee has selected that person and directed the lessor to acquire the goods or the right to possession and use of the goods from that person, (b) that the lessee is entitled under this Article to the promises and warranties, including those of any third party, provided to the lessor by the person supplying the goods in connection with or as part of the contract by which the lessor acquired the goods or the right to possession and use of the goods, and (c) that the lessee may communicate with the person supplying the goods to the lessor and receive an accurate and complete statement of those promises and warranties, including any disclaimers and limitations of them or of remedies.
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> Uniform Commercial Code § 2A-103 (g) (emphasis by underlining added).

In a finance leasing arrangement, a leasing company ("the lessor," *e.g.*, an outside leasing company such as Dodd Pacific), who does not manufacture or supply the goods (*e.g.*, carpet), acquires the goods or the right to possession and use of the goods from a third party manufacturer of the goods (*e.g.*, Interface); the goods are then provided to the lessee. That is, the manufacturer sells or leases the goods to the leasing company, who is, in the case of a finance lease, the "consumer." Subsequently, the goods are provided to another party, the lessee. Said plainly, in the situation described by Fishbein, the manufacturer neither sells nor leases the goods to the party to whom the goods are provided.

Independent claims 1, 17, and 23 each recite selling carpet to a consumer and that the carpet is installed at the consumer location. Fishbein does not disclose this combination of elements. Instead, Fishbein describes a carpet manufacturer (*i.e.*, Interface) selling or leasing carpet to a consumer (*i.e.*, Dodd Pacific) who does not use the carpet at its location. Instead, the consumer leases the carpet to its lessee, a third party, and the carpet is installed at the lessee's location. Simply put, no party in the situation described by Fishbein performs the step of selling carpet to a consumer, which is installed at the consumer location.

Thus, the cited paragraph does not disclose selling carpet to a consumer, which is installed at the consumer location, and thus cannot render obvious the pending claims.

- **Even if Fishbein disclosed the recited "selling" and "installing," such would negate any motivation to perform the remaining claimed steps**

Assuming *arguendo* that Fishbein did disclose selling carpet to a consumer, which is installed at the consumer location, the fact that the transfer is a sale negates the alleged basis for arriving at the claimed combination.

Specifically, amended independent claims 1, 17, and 23 each recites, *inter alia*, the steps of establishing and maintaining a database of installed carpet information, estimating the useful lifetime of the installed carpet, contacting the consumer, and collecting the carpet. The Office Action concedes that none of these steps is disclosed by Fishbein (*see* Office Action mailed

April 30, 2007 at page 3, paragraphs "b" and "c"; page 8, paragraph "a"; page 9, paragraphs "c" and "d"; page 11, paragraphs "a" and "b"; and page 12, paragraph "c"). To remedy these deficiencies in Fishbein's disclosure, the Office Action states that these "would have been necessary in order for Interface to purchase, maintain, replace the carpet over the period of the lease" (*see, e.g.*, Office Action mailed April 30, 2007 at page 3, paragraph "b") and that these "would have been inherently necessary in order to replace and recycle the carpet at the end of life when the carpet is provided on a leasing arrangement" (*see, e.g.*, Office Action mailed April 30, 2007 at page 4, first paragraph).

The Office Action's argument, however, does not support the alleged obviousness of the amended claims: when carpet is sold to a consumer, it is neither inherent nor obvious for a seller to establish and maintain a database of installed carpet information, to estimate the useful lifetime of the installed carpet, to contact the consumer, or to collect the carpet. Said another way, when carpet has been provided on a leasing arrangement, thereby allegedly making establishing and maintaining a database of installed carpet information, estimating the useful lifetime of the installed carpet, contacting the consumer, and collecting the carpet inherently necessary in order to replace and recycle the carpet at the end of life, it would not have been obvious to also sell the carpet to a consumer.

As motivation for one of ordinary skill in the art to make the asserted modifications in order to arrive at the currently claimed combinations of steps, the Office Action suggests that "[o]ne would have been motivated to do this in order to provide the leasing customer with the services that have been promised" (*see, e.g.*, Office Action mailed April 30, 2007 at page 3, paragraph "b") and "[o]ne would have been motivated to perform the installation step in order to entice customers to participate in the leasing arrangement" (*see, e.g.*, Office Action mailed April 30, 2007 at page 8, first paragraph). Each time a modification or combination is alleged by the Office Action, motivation for the modification or combination hinges on the leasing relationship. The Office Action provides absolutely no basis for one of ordinary skill in the art to make any modification or combination whatsoever (much less the recited elements of the pending claims) in the absence of a leasing relationship.

The Supreme Court recently addressed nonobviousness of "combination" inventions in *KSR International Co. v. Teleflex Inc.*, No. 04-1350, 2007 U.S. LEXIS 4745 (April 30, 2007). The Court confirmed that it is legally insufficient to merely point to the various recited elements. Instead, the Office must identify the basis for the alleged modification or combination by one of ordinary skill to arrive at the claimed invention.

> As is clear from cases such as *Adams*, a patent composed of several elements is not proved obvious merely by demonstrating that each of its elements was, independently, known in the prior art. Although common sense directs one to look with care at a patent application that claims as innovation the combination of two known devices according to their established functions, it can be important to identify a reason that would have prompted a person of ordinary skill in the relevant field to combine the elements in the way the claimed new invention does. This is so because inventions in most, if not all, instances rely upon building blocks long since uncovered, and claimed discoveries almost of necessity will be combinations of what, in some sense, is already known.
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> *KSR International* at *37-*38 (emphasis by underlining added).

Moreover, the Supreme Court opined that conclusory statements cannot provide an adequate basis for the alleged modification or combination; the reasoning must be explicit.

> Often, it will be necessary for a court to look to interrelated teachings of multiple patents; the effects of demands known to the design community or present in the marketplace; and the background knowledge possessed by a person having ordinary skill in the art, all in order to determine whether there was an apparent reason to combine the known elements in the fashion claimed by the patent at issue. To facilitate review, this analysis should be made explicit. See *In re Kahn*, 441 F.3d 977, 988 (CA Fed. 2006) ("Rejections on obviousness grounds cannot be sustained by mere conclusory statements; instead, there must be some articulated reasoning with some rational underpinning to support the legal conclusion of obviousness").
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> *KSR International* at *36-*37 (emphasis by underlining added).

Absent this explicit reasoning to support the basis for the modification or combination, the alleged modification or combination cannot support a *prima facie* obviousness rejection.

Because the Office Action has failed to provide an explicit basis for the recited elements (*e.g.*, establishing and maintaining a database of installed carpet information, estimating the useful lifetime of the installed carpet, contacting the consumer, and collecting the carpet) outside of a leasing relationship, it has failed to set forth a legally sufficient *prima facie* obviousness rejection of the pending claims. Consequently, the rejection should be withdrawn.

CONCLUSION

In light of the above arguments and amendments, the claims are believed to be allowable, and Applicant respectfully requests notification of same. The Examiner is invited and encouraged to directly contact the undersigned if such contact may enhance the efficient prosecution of the application to issuance.

A three-month shortened statutory period was set for response, nominally ending July 30, 2007. Therefore, this paper is timely. No fee is believed due; however, the Commissioner is hereby authorized to charge any fees that may be required or credit any overpayment to Deposit Account No. 14-0629.

Respectfully submitted,
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